This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 ISTANBUL 001421

SIPDIS

USDOC FOR NEWMAN AND FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO

E.O. 12958: DECL: 08/18/2015
TAGS: BEXP ENRG GR SENV TU
SUBJECT: TURKEY: EURASIA SENIOR ADVISOR MANN'S JULY
ISTANBUL MEETINGS

Classified By: Classified by P/E Section Chief Stuart Smith. Reasons 1

.4 (b/d)

¶1. (C) Summary: In a July 20 meeting in Istanbul with Raphel Moissis, the CEO of the Public Gas Corporation of Greece (DEPA), Senior Advisor for Eurasia Ambassador Steven R. Mann discussed the Greek-Turkey gas interconnector, prospects for Italian-Greek cooperation on the Greece-Otranta line, progress on the Burgas-Alexandropolous oil bypass pipeline, and Russian interest in the Southeast European Gas Ring. Amb. Mann cautioned Moissis on cooperation with Iran. End summary.

¶2. (C) On July 20, 2005, Senior Advisor for Eurasia Ambassador Steven R. Mann met at the Ciragan Hotel in Istanbul with DEPA CEO Raphael Moissis and Greek Ministry of Development General Secretary Nikolaos Stephanos, at Moisses, request. The discussion started with congratulations on the July 3 ceremonial opening of the Greek-Turkey gas interconnector. Moissis said that Turkish Prime Minister Erdogan pledged gas through the connector within one year. Construction is continuing on both sides of the border; Moissis said, "We started last but will catch up." Moissis turned quickly to the prospects for sending gas into Italy via Greece. Edison and the Energy Ministers of Italy and Greece have signed an internal agreement for Edison and DEPA to have a 50-50 partnership in a trans-Adriatic line. Botas can come in as a third party. Botas, DEPA and Edison have agreed to a transit tariff. They are now doing netback analysis to see what will be a feasible price/source of gas.

Details on the Interconnector

¶2. (C) Moissis explained details on the interconnector: the Karacabey-to-Kipi segment is still to be constructed, but the pipe and the workers are ready. Kipi-Alexandropolous and Alexandropolous-Kamatini are being built by two different firms in accordance with the previous Greek-Soviet IGA involving Prometheus Group (Kopelousas). The agreement gave Kopelousas Group the right to build a new pipeline "by analogous terms" with the main Greek line it constructed in ¶1990. Kopelousas Group and DEPA have not reached agreement on what those terms are, although the right of way has been secured. There is an 8-10 million Euro difference between the sides and the government fears Parliamentary and press criticism if they give in to Kopelousas Group's demands. This is why the Alexandropolous-Kamatini segment is delayed.

Good Prospects in Italy

¶3. (C) The results of the April 4 Italian election meant that prospects declined for the Brindisi LNG terminal but boosted the Greece-Otranto line. An Italian-Greek ministerial agreement relating to this was signed June 25. All signs now are that Edison is moving at full speed. They will sign the final IGA on this pipeline in Rome in September. One complication: a Swiss firm, EGL, approached DEPA this year. EGL is proposing its own trans-Adriatic pipeline: Bulgaria-FYROM-Albania-Italy. Their market: 5 BCM for EGL-owned power stations in Italy (per Edison, 2.5 BCM is a more credible figure). EGL also wants to launch a gas trading business. EGL has proposed a compromise, linking with the Greeks but abandoning the Bulgarian and FYROM links. They would get gas from Turkey, via the northern route. EGL, Edison and DEPA met in Milan during the week of July 11 to discuss the possibilities. Edison and DEPA were skeptical and left the meeting with the burden of proof remaining on EGL.

Caution on Iran

¶4. (C) Moissis said that Iran is considering Greece as a possible entry point for gas to the EU. Mann urged them to be cautious. He warned about U.S. sanctions and opined that the time may be ripe for a renewed U.S. drive against

sanctions violators. They discussed the problems of the upstream and the limitations of Shah Deniz Phase 1. DEPA has been talking to Statoil, which is interested in accelerating Shah Deniz Phase 1 and using excess Turkish gas for onward shipment.

Russian Influence?

¶5. (C) Moissis warned that Russia has approached DEPA, Edison and EGL. Blue Stream is eager to sell gas but Moissis is disturbed by the prospect of major Russian influence on the long-desired Southeast European Gas Ring. "What's the point to create this new ring and have it dominated by Russian gas?" asked Moissis. Mann drew a distinction as follows: that we never oppose Russian gas deals in the region; that we firmly oppose Iranian gas; but we always fight for Caspian exports. He noted also that in IEA and USG studies, Caspian gas comes into the European market cheaper than nearly any other supplier. Moissis said that in 2009 Edison would be ready for 3 BCM of purchases, going to 5 BCM in 2010 and 8 BCM in 2012.

Burgas-Alexandropolous

¶6. (C) Stephanos had responsibility for this issue, and he briefed on progress of this oil bypass pipeline. A GIC has been formed (group of incentive companies) to look at throughput guarantees. The GIC includes TNK-BP, Sibneft, Rosneft and others. Chevron-Texaco may join but so far there are only Russian companies included. The pipeline will be equity-financed, with no public debt. They envision a 2009 start. Mann cautioned that Russian companies are used to the Transneft model, and this would be a problem for a modern pipeline. Stephanos said that Transneft had been irresolute, Vainshtok was interested, then dropped from sight.

¶7. (C) Explaining the delays in this line, Stephanos said that after January 2003, despite support from LATSIS Group, Hellenic Petroleum, and Prometheus Group, the project fell out of favor with the Greek government. Now a new government is in charge and is supporting the project. Stephanos brushed away environmental problems -- "That's the Turkish objection. Anyway, the people of Alexandropolous want it." Mann outlined U.S. policy on bypass pipelines and gave a brief overview of Turkish environmental concerns about bypasses.
JONES